

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

R.R. DONNELLEY & SONS  
COMPANY, a Delaware  
corporation,

Plaintiff,

v.

JOHN PAPPAS III, an  
individual, and DOES 1-10,  
Defendant.

No. 2:21-cv-00753-JAM-AC

**ORDER DENYING DEFENDANT'S MOTION  
TO DISMISS**

This lawsuit is the result of a long-time working relationship that was ultimately spoiled by the alleged misappropriation of trade secrets. John Pappas III ("Pappas") worked for R.R. Donnelley & Sons Company ("RRD"), an integrated communications company that provides business communications, commercial printing, and related services for more than 600,000 customers worldwide. Compl. ¶¶ 5, 12, 8, ECF No. 1. RRD alleges that, prior to Pappas' resignation, he reached out to clients to encourage them to move their work from RRD to his new employer and downloaded and deleted numerous confidential and proprietary RRD documents and trade secrets.

As a result, RRD filed suit against Pappas for: (1) breach of the duty of loyalty; (2) and (3) trade secret misappropriation

1 under California and Federal law; (4) breach of contract; and  
2 (5) computer crimes in violation of the California Penal Code.  
3 See generally, Compl. Pappas now moves to dismiss RRD's first  
4 and fifth causes of action for breach of the duty of loyalty and  
5 computer crimes, arguing both are preempted by the California  
6 Uniform Trade Secrets Act ("CUTSA"). See Mot. to Dismiss  
7 ("Mot."), ECF No. 16. RRD opposes the motion. See Opp'n, ECF  
8 No. 19. Pappas filed a reply. See Reply, ECF No. 22.

9 For the reasons set forth below, the Court DENIES Pappas'  
10 motion to dismiss.<sup>1</sup>

#### 11 12 I. BACKGROUND

13 Pappas was in his eleventh year working for Consolidated  
14 Graphics, Inc. when it was acquired by RRD in January of 2014.  
15 Compl. ¶¶ 7, 8, 30. Upon acquisition, Pappas became an employee  
16 of RRD. Compl. ¶ 8. Pappas worked for RRD as a salesperson  
17 until he resigned on January 13, 2021. Compl. ¶¶ 8, 13. Id.  
18 RRD requires every employee to sign a confidentiality agreement  
19 as part of their onboarding process. Compl. ¶ 21. Pappas signed  
20 this confidentiality agreement. Id. In it, Pappas agreed not to  
21 disclose "any proprietary or confidential information, knowledge  
22 of any invention, or any other data relating to [RRD's] business,  
23 products[,] or operations," either during, or subsequent to, his  
24 employment with RRD. Id. Pappas also agreed that, one week  
25 after termination of employment with RRD, he would return all  
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27 <sup>1</sup> This motion was determined to be suitable for decision without  
28 oral argument. E.D. Cal. L.R. 230(g). The hearing was  
scheduled for July 6, 2021.

1 hard and digital copies of documents and data relating to RRD's  
2 operations that were still in his possession. Id.

3 RRD's electronic information and systems use policy also  
4 informs employees that they may not "[c]opy, transmit, or use any  
5 copyrighted material, trade secret, confidential, or proprietary  
6 information belonging to RRD or its clients [], unless doing so  
7 as part of an authorized business purpose." Compl. ¶ 24.

8 Employees are similarly told not to store RRD email or  
9 proprietary content or conduct any RRD business using a personal  
10 email or over any other service not under an approved contract  
11 with RRD. Id. RRD's policy on confidential information,  
12 customer information, and taking of customer property prohibits  
13 employees from using information that is confidential or  
14 proprietary to RRD, a customer, or vendor for a non-work-related  
15 reason or for personal gain. Compl. ¶ 25.

16 Pappas was required to, and agreed to, abide by the above  
17 provisions, among others, as a condition of his employment with  
18 RRD. Compl. ¶ 29. However, RRD alleges that, on December 11,  
19 2020, Pappas accessed RRD's Google Drive account and "selectively  
20 downloaded 784 documents to his personal computer." Compl. ¶ 32.  
21 These files contained confidential and proprietary information  
22 and trade secrets. Id. That same day, Pappas also deleted 916  
23 files from RRD's Google Drive account. Compl. ¶ 33. In  
24 addition, RRD alleges that Pappas worked to divert customers and  
25 business opportunities away from RRD months prior to his  
26 resignation by contacting customers in an effort to convince them  
27 to bring their business over to his soon-to-be employer, Dome  
28 Printing. Compl. ¶¶ 35-42.

1 RRD contends that Pappas' actions breached his duty of  
2 loyalty and his confidentiality agreement and constituted trade  
3 secret misappropriation under the CUTSA, Cal. Civ. Code § 3426 et  
4 seq., and the Defend Trade Secrets Act, 18 U.S.C. § 1836 et seq.  
5 Compl. ¶ 43. RRD further alleges that Pappas' unauthorized  
6 downloading and deletion of RRD's data constitutes a crime under  
7 California Penal Code § 502(c). Id.

## 8 9 II. OPINION

### 10 A. Legal Standard

11 To defeat a Rule 12(b)(6) motion to dismiss, a plaintiff  
12 must "plead enough facts to state a claim to relief that is  
13 plausible on its face." Bell Atlantic Corp. v. Twombly, 550  
14 U.S. 544, 570 (2007). This plausibility standard requires  
15 "factual content that allows the court to draw a reasonable  
16 inference that the defendant is liable for the misconduct  
17 alleged." Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009). At this  
18 stage, the court "must accept as true all of the allegations  
19 contained in a complaint." Id. But it need not accept as true  
20 unreasonable inferences, unwarranted deductions of fact, or  
21 conclusory legal allegations cast in the form of factual  
22 allegations. See W. Mining Council v. Watt, 643 F.2d 618, 624  
23 (9th Cir. 1981). Moreover, dismissal under Rule 12(b)(6) may be  
24 based on the absence of a cognizable legal theory. Balistreri  
25 v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th Cir. 1988).

### 26 B. CUTSA Preemption

27 The CUTSA prohibits and provides remedies for the  
28 misappropriation of trade secrets. Henry Schein, Inc. v. Cook,

2017 WL 783617, at \*2 (N.D. Cal. 2017) (citing Cal. Civ. Code §§ 3426-3426.11). It preempts a common law claim when it is “based on the same nucleus of facts” as a misappropriation of trade secrets claim. Digital Envoy, Inc. v. Google, Inc., 370 F.Supp.2d 1025, 1033-35 (N.D. Cal. 2005); K.C. Multimedia, Inc. v. Bank of Am. Tech. & Operations, Inc., 171 Cal.App.4th 939, 955 (2009). Three types of cases are not preempted by the CUTSA: (1) breach of contract; (2) criminal remedies; and (3) any claim not based on the misappropriation of trade secrets. Cook, 2017 WL 783617, at \*2 (citing Cal. Civ. Code §§ 3426.7(a)-(b)).

The preemption inquiry is a factual one, focusing on “whether other claims are no more than a restatement of the same operative facts supporting trade secret misappropriation.” Id. (internal quotation marks and citations omitted). Put another way: The CUTSA preempts a common law claim when, after the facts relating to trade secrets are removed, there are insufficient facts for the claim to survive. Id. (citing Axis Imex, Inc. v. Sunset Bay Rattan, Inc., 2009 WL 55178, at \*5 (N.D. Cal. 2009)). A determination of trade secret preemption under the CUTSA is appropriate at this stage of litigation. C&H Travel & Tours, Inc. v. Chow, 2018 WL 6427369, at \*1 (C.D. Cal. 2018).

1. Claim I: Duty of Loyalty

Pappas argues that the Court should dismiss the common law claim of a breach of the duty of loyalty against him because it arises out of the same facts as the CUTSA claim. Mot. at 6-8. RRD disputes this, arguing that “claims alleging that an employee transferred his loyalties to a competitor before

1 resigning are not preempted by [the] CUTSA because such a  
2 transfer [] is independently wrongful” and separate from the  
3 allegation that confidential information was taken. Opp’n at 4.

4 For there to be a breach of the duty of loyalty, there must  
5 be: (1) the existence or a relationship that gives rise to the  
6 duty; (2) a breach of that duty; and (3) damages. Hong Que,  
7 Inc. v. Luu, 150 Cal.App.4th 400, 410 (2007). RRD claims that  
8 Pappas, as an employee, owed RRD a duty of loyalty and breached  
9 that duty by “divert[ing] business away from RRD”—and over to  
10 Dome Printing—while still an RRD employee. Compl. ¶¶ 46, 50.  
11 RRD also alleges that Pappas “diverted future [business]  
12 opportunities away from RRD and failed to disclose those  
13 opportunities to RRD.” Id. As a result, RRD contends it is  
14 entitled to damages. Compl. ¶¶ 52, 53.

15 These allegations do not merely restate the same facts as  
16 the CUTSA claim. For instance, Pappas “did not necessarily rely  
17 on [RRD’s] trade secrets when [he] solicited customers to move  
18 their business to [Dome Printing].” Cook, 2017 WL 783617, at \*3  
19 (a dental supply company’s claim for breach of the duty of  
20 loyalty against a former salesperson was not preempted by the  
21 CUTSA where the salesperson did not necessarily rely on the  
22 company’s trade secrets to solicit customers). These  
23 allegations are separate and apart from those dealing with trade  
24 secrets and confidential information. Standing alone, they are  
25 sufficient to state a claim for breach of the duty of loyalty  
26 that is not preempted by the CUTSA.

27 Accordingly, the Court declines to dismiss RRD’s first  
28 cause of action for breach of the duty of loyalty against

1 Pappas.

2 2. Claim V: Computer Crimes

3 Pappas argues that the Court should dismiss the claim of  
4 computer crimes pursuant to California Penal Code § 502(c)  
5 because it also arises from the same nucleus of facts as the  
6 CUTSA claim and is, therefore, preempted. Mot. at 8-11. RRD  
7 argues that preemption does not apply to a statutory claim  
8 brought under § 502(c). Opp'n at 6-8. The California district  
9 courts are divided on the issue and a binding authority has not  
10 offered clarification. As such, the Court errs on the side of  
11 caution and does not find that the claim is preempted.

12 Section 502(c) imposes liability on any person who  
13 "knowingly access and without permission takes, copies, or makes  
14 use of any data from a computer, computer system, or computer  
15 network . . . ." Cal. Penal Code § 502(c)(2). RRD alleges that  
16 Pappas violated § 502(c) by "accessing, downloading[, ] and then  
17 deleting information from RRD's secured systems and accounts,  
18 including its Google Drive account." Compl. ¶ 83. RRD contends  
19 that, in doing so, "Pappas was acting solely for his personal  
20 benefit and/or the benefit of his new employer, a competitor of  
21 RRD." Compl. ¶ 87. RRD goes on to allege that this claim "is  
22 not predicated on the misappropriation or theft or any  
23 confidential, proprietary[, ] and/or trade secret information  
24 belonging to RRD." Compl. ¶ 88.

25 In order to prove the CUTSA claim, RRD "will need to show  
26 that Pappas accessed the trade secret information through its  
27 computer system before leaving Plaintiff for a competitor."  
28 Chow, 2018 WL 6427369, at \*2. To prove its § 502(c) claim, RRD

1 will need to show that Pappas “accessed [RRD’s] computer systems  
2 in an unauthorized manner.” Id. Moreover, RRD cannot plausibly  
3 allege the “use” element of § 502(c) without relying on facts  
4 from its CUTSA claim. See, e.g., Compl. ¶ 62 (“Pappas has and  
5 will continue to misappropriate, disclose, and use for his  
6 benefit and the benefit of his new employer, and to RRD’[s]  
7 detriment, RRD’[s] trade secret information unless he is  
8 enjoined from doing so.”) (emphasis added).

9       However, it is not clear that the CUTSA claim can preempt a  
10 statutory claim arising under the California penal code. The  
11 courts in Chow and Cook both dismissed the plaintiffs’ § 502(c)  
12 claims as preempted by the CUTSA because they were based on the  
13 same nucleus of facts. See Chow, 2018 WL 6427369, at \*2; Cook,  
14 2017 WL 783617, at \*5. By contrast, several other courts have  
15 found that the CUTSA may preempt common law and unfair  
16 competition claims but cannot preempt a § 502(c) claim. See JEB  
17 Group, Inc. v. San Jose III, 2020 WL 2790012, at \*4 (C.D. Cal.  
18 2020); Heieck v. Fed. Signal Corp., 2019 WL 6873869, at \*4-5  
19 (C.D. Cal. 2019); Synopsys, Inc. v. Ubiquiti Networks, Inc., 313  
20 F.Supp.3d 1056, 1074-74 (N.D. Cal. 2018); Regents of the Univ.  
21 of Cal. v. Aisen, 2016 WL 4097072, at \*8 (S.D. Cal. 2016) (“[I]t  
22 is illogical to think that the California legislature enacted a  
23 computer crime provision and deliberately included a civil  
24 remedy that would in turn be preempted by other legislation  
25 authorizing civil protection for trade secrets.”).

26       In Heieck, the court pointed to the provision of the CUTSA  
27 that states, in pertinent part: “This title does not  
28 affect . . . criminal remedies, whether or not based upon



misappropriation of a trade secret.” 2019 WL 6873869, at \*4. It reasoned that, because § 502(c) is a criminal statute that contains criminal remedies, the third exception to preemption enumerated in the CUTSA applied. Id. In Synopsys, the court declined to find preemption of a § 502(c) claim by the CUTSA because no California case law “explicitly address[es] whether [the] CUTSA would preempt a statutory claim” as opposed to a common law claim. 313 F.Supp.3d at 1074. Thus, “[a]bsent additional authority or persuasive argument, [the Court] will not find the [§ 502(c)] claim preempted even if based in part on the misappropriation and subsequent use of [RRD’s] information.” Id. at 1075.

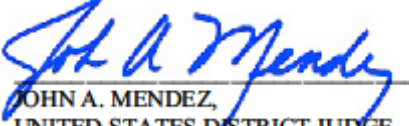
Accordingly, the Court declines to dismiss RRD’s fifth cause of action for computer crimes against Pappas.

### III. ORDER

For the reasons set forth above, the Court DENIES Pappas’ Motion to Dismiss.

IT IS SO ORDERED.

Dated: August 9, 2021

  
JOHN A. MENDEZ,  
UNITED STATES DISTRICT JUDGE